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THE SIGNIFICANCE OF AGRICULTURAL IMPORTS

LETTER

FROM

THE SECRETARY OF AGRICULTURE

TO

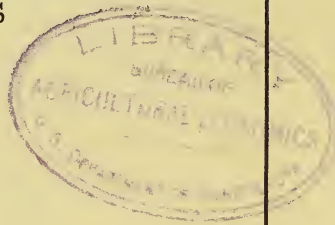
SENATOR LOUIS MURPHY

TRANSMITTING A

STATEMENT PREPARED BY THE DEPARTMENT
OF AGRICULTURE WITH REGARD TO THE
CAUSES AND THE SIGNIFICANCE OF
THE RECENT INCREASE IN AGRI-
CULTURAL IMPORTS INTO
THE UNITED STATES

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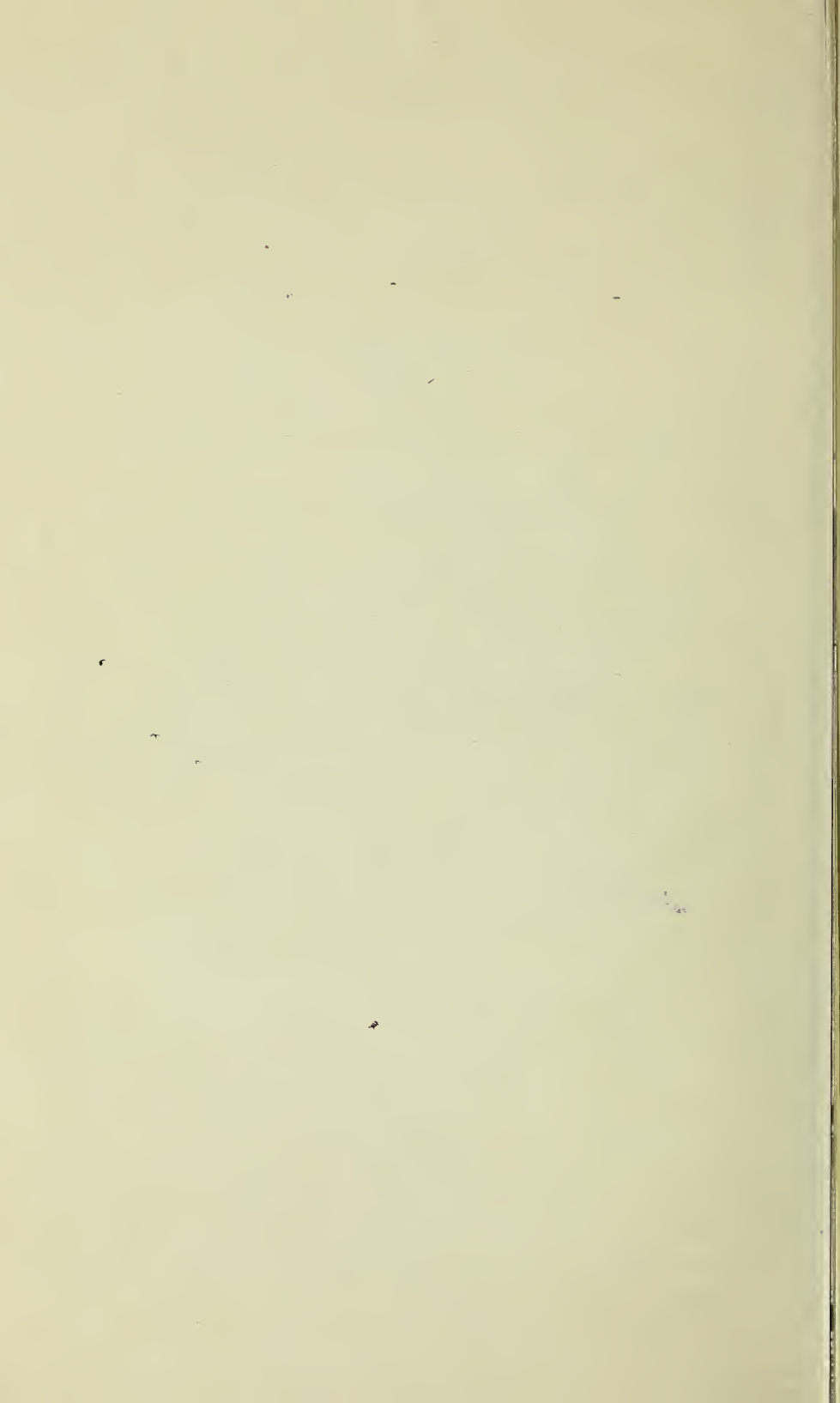
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PRESENTED BY MR. MURPHY

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LETTER OF TRANSMITTAL

DEPARTMENT OF AGRICULTURE,
Washington, D. C., June 2, 1936.

Hon. LOUIS MURPHY,
United States Senate.

DEAR SENATOR MURPHY: I am glad to provide herewith material on the subject of farm imports. This material has been prepared in the Department of Agriculture from foreign trade figures released by the Department of Commerce and from other data. The material will, I trust, provide useful and accurate information regarding recent trends in imports of specific farm products and factors affecting such trends, the importance of imports in relation to farmers' prices and income, the effect of reciprocal trade agreements on imports, and the relation of the tariff to imports. It includes, also, a brief general discussion of the present foreign trade situation as it affects agricultural exports as well as imports.

Sincerely yours,

H. A. WALLACE, *Secretary.*

THE SIGNIFICANCE OF AGRICULTURAL IMPORTS

SUMMARY

The accompanying material on farm imports is divided for purposes of simplification into 10 sections which treat various aspects of the subject. The subject matter and chief conclusions of each section may be briefly summarized as follows:

Section I, The Nature of Agricultural Imports, shows that, of the total of agricultural imports in 1935 valued at 1,106 million dollars, imports valued at 623 million dollars were made up of products which compete in some degree with those of American producers. Subtracting sugar, the imports of which are controlled by quotas, the remainder is 489 million dollars, or about 43 percent of all agricultural imports in 1935.

Section II, The Trend in Imports, shows that imports of certain products, such as grain and feed, meats, dairy products, and eggs, started to increase in the middle or latter part of 1934, following the drought of that year, that these imports reached their peak around the middle of 1935, and since have shown a marked recession due to renewal of domestic supplies.

Section III, Imports in Relation to Production, shows that, while the imports of these products were larger in 1935 than in the immediately preceding years, they represented in most cases an insignificant proportion of the production of similar products in the United States.

Section IV, Imports in Relation to the Drought and the A. A. A., shows that the chief factor influencing increased imports of these products in 1935 was the widespread drought of 1934, with the A. A. A. programs a minor factor. It is shown that total imports of these products in the period following the drought represented only a small fraction of the drought loss, for example in the case of feedstuffs, 7 percent of the total drought loss which amounted to 50 million tons.

Section V, Imports in Relation to Farm Income and Prices, shows that imports have had little or no adverse effect on domestic prices, at most limiting the rise of prices of certain products to a certain extent during a period of seasonal increase of imports. It is further shown that the increase in imports has been accompanied by a very substantial increase in gross farm income and in farm prices since 1932, and that imports in 1935 were in fact the result of relatively high prices.

Section VI, Imports in Relation to General Economic Conditions, shows that, underneath the factor of the drought, which increased imports during 1935 of certain affected products, there was a broader factor making for increase of regularly imported products, namely, improvement in general economic conditions and purchasing power. It is shown that increased regular imports are a normal accompaniment of better economic conditions. This factor which appeared as early as 1933, was responsible for perhaps 78 percent of the total increase in competitive farm imports between 1932 and 1935.

Section VII, Imports in Relation to the Tariff, shows that there had been no change in the tariff duties on products affected by drought during 1935 when imports reached their peak, with the single exception of hay for an emergency period.

Section VIII, Imports in Relation to the Reciprocal Trade Agreements, shows that reciprocal agreements had little if any effect on the increase in imports in 1935, that, indeed, the only agreement in effect during the entire year was the one with Cuba, which did not involve drought-affected products. The effect of the Canadian agreement on imports of cattle, cream, and cheese during the first 4 months of 1936 is considered, and also its effect on increased exports of United States agricultural products. In this connection, it is shown in section X that our agricultural exports during the first quarter of 1935 to the countries with which agreements have been in effect increased 15 percent over the amount for the same period in 1935, while farm exports to other countries increased only 5 percent.

Section IX, The Relation of Total Imports to Total Exports and to Domestic Production, shows that total imports and total exports (including industrial as well as agricultural products) tend to rise or fall together from year to year, and that the trend of imports as well as of exports since 1929 has been lower in relation to total domestic production than before 1929. It is indicated that total imports in 1935 were a billion dollars below the pre-1929 relationship of imports to total domestic production and is suggested that conditions which would have favored additional imports would also have favored additional exports.

Section X, Agricultural Exports, treats in a general way the problem of foreign trade and of increasing agricultural exports when normal weather has once more brought about exportable surpluses. It is pointed out that the exclusion of competitive imports by embargo could open up the need for only a small fraction of our acreage cultivated for export products, that export subsidies as a general policy would tend to further expansion and ultimately make the problem of surpluses worse, and that efforts to reduce barriers to mutual trade, though they can be made only slowly, are apparently the only practical approach to improved foreign trade for agriculture.

I. THE NATURE OF AGRICULTURAL IMPORTS

In the present survey "agricultural imports" are taken to include those products which are directly comparable with products grown in the United States or which may be directly substituted to a significant extent for our domestic products. Furthermore, emphasis is placed on those products the imports of which have increased substantially during the last year or two rather than on products, such as sugar and wool, which have been regularly imported into the United States in large quantities for many years.

According to the official statistics of the Department of Commerce, the total imports of all agricultural products into the United States, including those that are not competitive, were valued in 1935 at 1,106 million dollars. But in this total are included such important non-competitive products as rubber, raw silk, coffee, tea, cocoa, spices, and bananas. If these and other products that are largely noncompetitive are subtracted from this total, there remain imports of the

competitive items in 1935 valued at 623 million dollars. Sugar is by far the largest item in this total of competitive agricultural imports. In 1935 the imports of sugar were valued at 134 million dollars. If this figure is subtracted from the competitive, the remainder is 489 million dollars, or about 43 percent of the total imports of agricultural products in 1935.

Table 1, following, shows agricultural imports classified between noncompetitive and competitive products. Referring to the last column of competitive imports minus sugar it will be noted that while these imports were considerably larger in 1935 than in immediately preceding years, they were substantially smaller than in the years prior to 1931. Tables 2 and 3 show the imports of the principal products classified as competitive and noncompetitive, respectively.

TABLE 1.—*Value of United States agricultural imports, 1920-35*

Calendar years—	Agricultural imports				
	Total	Noncompetitive	Competitive ¹	Sugar	Competitive minus sugar
1920-----	\$3,251,000,000	\$987,000,000	\$2,264,000,000	\$1,009,000,000	\$1,255,000,000
1921-----	1,323,000,000	584,000,000	739,000,000	235,000,000	504,000,000
1922-----	1,638,000,000	773,000,000	865,000,000	252,000,000	613,000,000
1923-----	2,038,000,000	933,000,000	1,105,000,000	380,000,000	725,000,000
1924-----	1,918,000,000	927,000,000	991,000,000	364,000,000	627,000,000
1925-----	2,355,000,000	1,339,000,000	1,016,000,000	246,000,000	770,000,000
1926-----	2,415,000,000	1,444,000,000	971,000,000	232,000,000	739,000,000
1927-----	2,219,000,000	1,225,000,000	994,000,000	258,000,000	736,000,000
1928-----	2,106,000,000	1,145,000,000	961,000,000	207,000,000	754,000,000
1929-----	2,218,000,000	1,201,000,000	1,017,000,000	209,000,000	808,000,000
1930-----	1,468,000,000	769,000,000	699,000,000	130,000,000	569,000,000
1931-----	1,007,000,000	561,000,000	446,000,000	113,000,000	333,000,000
1932-----	668,000,000	372,000,000	296,000,000	97,000,000	199,000,000
1933-----	743,000,000	366,000,000	377,000,000	108,000,000	269,000,000
1934 ² -----	858,000,000	408,000,000	450,000,000	118,000,000	332,000,000
1935 ² -----	1,106,000,000	483,000,000	623,000,000	134,000,000	489,000,000

¹ Competitive agricultural imports include imports similar to agricultural products commercially produced in the United States or directly substituted to a significant extent for such products.

² Imports for consumption.

Foreign Agricultural Service Division. Compiled from Foreign Commerce and Navigation of the United States and official records of the Bureau of Foreign and Domestic Commerce.

TABLE 2.—Imports of leading competitive agricultural commodities, 1928-35 ¹

[Millions of dollars]

Commodity	1928	1929	1930	1931	1932	1933	1934	1935
Sugar.....	209.1	188.3	149.6	114.4	95.8	104.9	117.6	133.5
Vegetable oils, expressed, inedible.....	62.8	83.6	61.1	36.9	21.7	27.2	26.2	53.3
Hides and skins.....	150.9	137.1	92.2	49.7	22.4	45.3	35.3	45.6
Beverages ²	1.4	1.2	1.0	.8	.7	8.9	50.2	42.6
Tobacco, unmanufactured.....	59.3	57.2	54.1	42.1	27.3	24.6	25.1	25.8
Vegetable oils, edible.....	15.4	15.8	12.2	11.0	7.4	7.0	8.5	25.5
Wheat ³3	(⁴)	.2	(⁴)	(⁴)	(⁴)	6.9	21.1
Corn.....	.6	.4	1.0	.3	.2	(⁴)	1.5	20.3
Flaxseed.....	31.2	45.5	26.7	14.1	5.0	13.6	15.0	15.6
Nuts.....	30.7	27.6	21.5	16.8	10.2	8.8	10.9	15.5
Tallow.....	1.1	1.4	(⁴)	(⁴)	(⁴)	(⁴)	1.6	13.1
Fodders and feeds.....	15.6	17.4	17.0	6.5	2.3	4.2	7.6	12.9
Molasses.....	10.4	13.8	15.4	9.3	5.8	5.0	8.1	12.5
Cheese.....	24.3	22.4	18.6	14.7	12.1	10.8	10.7	11.2
Wool ⁵	39.4	46.7	26.2	9.1	2.8	7.2	7.0	9.1
Barley malt.....	(⁴)	(⁴)	.1	.7	.8	2.3	5.1	9.0
Cattle, dutiable.....	20.1	20.1	6.7	1.9	1.5	.6	.6	8.5
Cotton, unmanufactured.....	42.8	53.3	25.2	5.6	5.0	7.5	9.5	7.1
Beef canned, including corned.....	6.4	10.1	7.6	2.3	2.1	2.7	3.0	5.6
Total above.....	721.8	741.9	536.4	336.2	223.1	280.6	350.4	487.8
Total competitive.....	961.1	1,017.1	699.0	446.1	295.9	376.5	450.1	622.6
Total above as percent of competitive.....	75.1	73.0	76.7	75.4	75.4	74.5	77.8	78.8

¹ Imports for consumption year ended Dec. 31.² Does not include mineral water.³ Excluding wheat imported in bond for reexport.⁴ Less than \$50,000.⁵ Excludes wool imported free under bond for use in carpets, etc.

Foreign Agricultural Service Division. Compiled from Foreign Commerce and Navigation of the United States and official records of the Bureau of Foreign and domestic commerce.

TABLE 3.—Imports of leading noncompetitive agricultural commodities, 1928-35 ¹

[Millions of dollars]

Commodity	1928	1929	1930	1931	1932	1933	1934	1935
Coffee.....	310	302	209	175	137	124	² 133	¹ 137
Rubber.....	245	241	141	74	33	46	102	119
Silk, raw.....	368	427	263	191	114	103	72	96
Bananas.....	35	36	35	29	25	20	24	28
Cacao beans.....	47	50	31	23	20	19	19	27
Wool, free in bond for carpet.....	36	42	14	16	4	11	10	21
Tea.....	27	26	23	19	12	14	16	17
Spices ³	16	14	12	8	6	6	8	8
Total, above items.....	1,084	1,138	728	535	351	343	384	453
Total, noncompetitive imports.....	1,144	1,201	768	561	372	366	408	483
Total, above as percent of noncompetitive.....	95	95	95	95	94	94	94	94

¹ Imports for consumption year ended Dec. 31.² Excluding coffee imported into Puerto Rico.

Excluding paprika, celery seed, capsicum, and mustard.

Foreign Agricultural Service Division. Compiled from Foreign Commerce and Navigation of the United States and official records of the Bureau of Foreign and Domestic Commerce.

II. THE TREND IN IMPORTS

The United States has for many years imported regularly and in large volume a number of competitive agricultural products such as wool, sugar, and flaxseed. But it is not these "regularly imported" products which have aroused general interest in recent months. Most of the recent discussion in regard to agricultural imports has

been concerned with such products as grain and feed, meats, dairy products, and eggs.

When the monthly statistics of imports of these latter products are examined for the period January 1934 to date, it will be found that these imports started to increase in the middle or latter part of 1934. They reached their peak, taking the groups as a whole, during the middle of 1935 and have since shown a marked recession. Generally speaking, the imports of grain, which started in 1934, declined abruptly or ceased as soon as the crops of 1935 became available. The imports of livestock products have held up longer simply because it takes more time to restore livestock numbers than to increase the production of annual crops.

Table 4 shows the imports of certain selected products by months since January 1934. It will be noted that the imports of oats began in small volume in July 1934 and reached a peak of 2,600,000 bushels in March 1935. Imports of oats have been insignificant since July 1935, there being only 11,000 bushels imported in April 1936. A similar situation is shown in the imports of rye, which have been negligible since August 1935.

The imports of corn continued longer than those of oats as the 1935 corn crop did not become available until November of that year. Not only was the 1935 corn crop about 350 million bushels below normal but the quality in many of the Corn Belt States was exceedingly poor thus making a large part of it unfit for shipment. The reduction below normal in last year's crop occurred largely in certain Corn Belt States which normally ship out considerable quantities. Even with the reduced numbers of livestock in the United States the 1935 corn crop was inadequate because existing stocks had to be replenished, feed requirements per animal unit were larger as a result of the severe winter, and, in addition, industrial utilization of corn increased. As a result of the above factors, domestic corn prices continued at a level sufficiently high to permit the importation of corn from Argentina where prices were very low as a result of a record crop last year. These imports were confined largely to the coastal regions. Nevertheless, imports of corn have been running substantially smaller during the current marketing season than in 1934-35 and the imports in the period January to April 1936 were about 45 percent less than in the corresponding months of 1935.

The imports of barley malt, which started to assume significant proportions in 1934 after the repeal of prohibition, showed a considerable increase in 1935. These imports reached a peak of almost 44 million pounds in June 1935 but have since fallen off, amounting to 21,642,000 pounds in April 1936.

Imports of wheat continue at a higher level than in the 1934-35 season. This is due to the fact that our spring-wheat crop in 1935 was much below domestic requirements for this type of wheat and was also of unusually poor quality because of serious rust damage. Nevertheless, imports of wheat from the 1st of July 1935 through April 1936 totaled only 30 million bushels, or a little less than 5 percent of our total wheat production in 1935. Imports through April were still below the estimated deficit in our spring-wheat supplies this year.

Turning to animals and animal products, it will be observed in the following table that imports of cattle started to increase in February 1935 and continued throughout 1935 considerably above the corre-

sponding months of 1934. The total imports in 1935, however, of 378,000 head were substantially less than the imports in the years 1927 to 1929. Imports of canned beef, most of which came from Argentina and Uruguay, have for many years been substantial. Imports in 1935, however, were larger than in any year since 1929, and imports during the first 4 months of 1936 were somewhat larger than those of a year earlier.

TABLE 4.—United States import quantity of specified agricultural products 1922–33 and January 1934 to April 1936¹

GRAINS

Year (ended Dec. 31) and month	Wheat, grain ²	Corn, grain	Oats, grain	Barley, malt ³	Rye, grain ⁴
	<i>Bushels</i>	<i>Bushels</i>	<i>Bushels</i>	<i>Pounds</i>	<i>Bushels</i>
1922.....	10,560,000	113,000	1,299,000	60,000	126,000
1923.....	8,930,000	203,000	317,000	397,000	1,000
1924.....	6,895,000	4,107,000	6,964,000	765,000	1,000
1925.....	1,308,000	1,086,000	178,000	836,000	1,000
1926.....	451,000	1,055,000	157,000	1,028,000	(⁵)
1927.....	21,000	5,458,000	85,000	810,000	(⁵)
1928.....	224,000	565,000	489,000	865,000	2,000
1929.....	36,000	407,000	112,000	1,025,000	(⁵)
1930.....	317,000	1,556,000	183,000	4,309,000	7,000
1931.....	54,000	618,000	576,000	39,875,000	82,000
1932.....	3,000	344,000	59,000	52,533,000	(⁵)
1933.....	31,000	160,000	132,000	109,183,000	8,006,000
1934:					
January.....	9,000	18,000	6,000	11,520,000	0
February.....	37,000	15,000	2,000	9,788,000	276,000
March.....	24,000	17,000	(⁵)	14,724,000	173,000
April.....	51,000	11,000	4,000	17,943,000	869,000
May.....	1,000	14,000	1,000	18,265,000	572,000
June.....	1,000	77,000	7,000	22,499,000	2,054,000
July.....	2,000	24,000	152,000	25,407,000	1,021,000
August.....	432,000	195,000	27,000	20,056,000	241,000
September.....	2,779,000	445,000	210,000	14,283,000	521,000
October.....	1,087,000	501,000	1,087,000	11,441,000	455,000
November.....	1,407,000	470,000	1,672,000	12,876,000	1,307,000
December.....	1,907,000	1,172,000	2,412,000	14,926,000	133,000
Total.....	7,737,000	2,959,000	5,580,000	193,728,000	7,622,000
1935:					
January.....	843,000	1,887,000	1,644,000	17,449,000	1,009,000
February.....	1,055,000	1,826,000	2,118,000	15,459,000	1,177,000
March.....	1,458,000	3,304,000	2,596,000	27,197,000	1,613,000
April.....	1,611,000	1,445,000	2,167,000	30,701,000	670,000
May.....	847,000	3,036,000	1,124,000	37,794,000	2,283,000
June.....	625,000	6,122,000	406,000	43,728,000	799,000
July.....	793,000	5,649,000	29,000	42,041,000	357,000
August.....	2,570,000	8,554,000	1,000	27,136,000	1,464,000
September.....	3,644,000	2,986,000	7,000	27,566,000	65,000
October.....	5,324,000	4,690,000	5,000	16,933,000	204,000
November.....	4,348,000	1,651,000	2,000	18,916,000	1,000
December.....	4,321,000	2,092,000	8,000	15,703,000	1,000
Total.....	27,439,000	43,242,000	10,107,000	320,623,000	9,643,000
1936: ⁵					
January.....	2,231,000	1,869,000	0	15,190,000	0
February.....	2,398,000	583,000	6,000	15,554,000	20,000
March.....	2,673,000	1,186,000	5,000	18,153,000	0
April.....	1,536,000	1,052,000	11,000	21,642,000	0

¹ General imports prior to 1934; beginning Jan. 1, 1934, imports for consumption.

² Imports for consumption.

³ For domestic consumption; includes only wheat full duty paid and 10 percent ad valorem.

⁴ Less than 500.

⁵ Preliminary.

TABLE 4.—United States import quantity of specified agricultural products 1922-33 and January 1934 to April 1936¹—ContinuedCATTLE AND ANIMAL PRODUCTS TO APRIL 1936¹

Year (ended Dec. 31) and month	Cattle, live	Beef, canned ⁶	Butter	Tallow ⁷	Egg products ⁸
	<i>Head</i>	<i>Pounds</i>	<i>Pounds</i>	<i>Pounds</i>	<i>Pounds</i>
1922.....	238,000	894,000	6,957,000	1,831,000	24,809,000
1923.....	140,000	4,496,000	23,741,000	10,823,000	23,299,000
1924.....	145,000	7,026,000	19,405,000	2,440,000	19,722,000
1925.....	175,000	7,969,000	7,212,000	1,828,000	33,987,000
1926.....	221,000	21,045,000	8,029,000	13,647,000	25,738,000
1927.....	445,000	35,999,000	8,460,000	12,908,000	15,341,000
1928.....	563,000	52,748,000	4,659,000	14,239,000	23,474,000
1929.....	505,000	79,899,000	2,773,000	16,803,000	26,030,000
1930.....	234,000	56,105,000	2,472,000	591,000	16,156,000
1931.....	95,000	19,586,000	1,882,000	1,365,000	7,661,000
1932.....	106,000	24,639,000	1,014,000	502,000	3,085,000
1933.....	82,000	41,344,000	1,022,000	239,000	3,664,000
1934:					
January.....	8,000	1,568,000	58,000	----- 0	255,000
February.....	7,000	1,344,000	59,000	----- 0	223,000
March.....	9,000	2,995,000	45,000	----- 0	221,000
April.....	16,000	3,782,000	55,000	----- 0	151,000
May.....	6,000	3,470,000	69,000	----- 0	216,000
June.....	5,000	2,519,000	74,000	----- 0	239,000
July.....	4,000	4,279,000	74,000	----- 0	297,000
August.....	1,000	6,195,000	95,000	----- 0	342,000
September.....	3,000	4,227,000	114,000	5,747,000	286,000
October.....	1,000	4,586,000	172,000	8,515,000	304,000
November.....	2,000	4,440,000	189,000	16,661,000	356,000
December.....	4,000	7,269,000	249,000	11,890,000	288,000
Total.....	66,000	46,674,000	1,253,000	42,813,000	3,178,000
1935:					
January.....	6,000	4,099,000	539,000	14,687,000	363,000
February.....	38,000	4,222,000	3,071,000	16,929,000	398,000
March.....	53,000	7,690,000	4,929,000	28,769,000	420,000
April.....	51,000	9,496,000	8,860,000	28,099,000	370,000
May.....	49,000	7,076,000	2,665,000	33,206,000	1,022,000
June.....	34,000	5,911,000	1,437,000	25,635,000	1,199,000
July.....	18,000	5,220,000	177,000	29,290,000	790,000
August.....	16,000	5,740,000	149,000	16,126,000	646,000
September.....	14,000	7,752,000	122,000	14,236,000	602,000
October.....	32,000	5,379,000	108,000	16,074,000	668,000
November.....	40,000	6,811,000	277,000	13,475,000	613,000
December.....	27,000	6,867,000	341,000	9,325,000	540,000
Total.....	378,000	76,263,000	22,675,000	245,851,000	7,631,000
1936: ⁵					
January.....	22,000	7,642,000	860,000	8,828,000	650,000
February.....	28,000	7,218,000	2,191,000	9,827,000	470,000
March.....	52,000	7,978,000	577,000	5,374,000	555,000
April.....	79,000	11,897,000	661,000	3,773,000	560,000

¹ General imports prior to 1934; beginning Jan. 1, 1934, imports for consumption.² Preliminary.³ Includes corned beef.⁴ Imports for consumption.⁵ Excludes eggs in the shell.

Foreign Agricultural Service Division. Compiled from Foreign Commerce and Navigation of the United States and official records of the Bureau of Foreign and Domestic Commerce.

Imports of tallow, which is also a beef product, commenced in September 1934 and rose to a peak of 33 million pounds in May 1935. Since that time imports have shown a definitely declining tendency amounting to only 3.8 million pounds in April 1936. An important factor in the relatively large imports of tallow has been the falling off in imports of whale oil because of the imposition of an excise tax on that product. Whale oil and inedible tallow are used more or less interchangeably in the soap-making industry.

Imports of butter were substantial during the first 6 months of 1935, but they were of very small volume during the last half of the year. While the imports of butter in 1935 reached a relatively high level of 22,675,000 pounds, they did not equal the record imports of 23,741,000

pounds reached in 1923. The imports of butter in the first 4 months of 1936 were 75 percent less than in the same months of 1935.

Imports of egg products, chiefly dried eggs from China, were larger in 1935 than in any year since 1931 but were considerably smaller than in the years prior to 1931. So far as 1935 is concerned, these imports reached their peak in May and June.

This review of the principal agricultural import products shows clearly that imports are receding from the peaks reached in 1935 and in some cases are now of negligible proportions.

III. IMPORTS IN RELATION TO PRODUCTION

In the preceding section it was shown that imports of a number of competitive farm products increased considerably during the latter part of 1934 and, in general, reached their peak about the middle of 1935. While the imports of these products were larger in 1935 than in the immediately preceding years, they represented in most cases an insignificant proportion of the production of similar products in the United States. After all, the relation of imports to production is probably the best single measure of the importance of imports. A comparison of the imports of certain competitive products, with our average production, is shown in table 5.

TABLE 5.—Volume of certain agricultural imports compared to average production

[Average 1928-32 and year 1935]

Commodity	Unit of quantity	Production, average 1928-32 quantity	Imports			
			Average 1928-32		1935	
			Quantity	Percent of average production	Quantity	Percent of average production
Grain:						
Corn-----	1,000 bushels-----	2,562,147	698	0.03	43,242	1.7
Wheat-----	1,000 bushels-----	860,570	127	.01	127,439	3.2
Oats-----	1,000 bushels-----	1,217,646	284	.02	10,107	.8
Barley-----	1,000 bushels-----	282,841	688	.2	13,413	4.7
Rye-----	1,000 bushels-----	38,655	18	.1	9,643	24.9
Meats:						
Beef, canned-----	1,000 pounds-----	-----	46,595	-----	76,309	-----
Beef and veal, fresh-----	1,000 pounds-----	-----	22,691	-----	8,757	-----
Beef, pickled, etc-----	1,000 pounds-----	-----	4,442	-----	1,472	-----
Total beef-----	-----	³ 6,884,616	⁴ 143,621	2.1	⁴ 201,002	3.0
Hogs-----	1,000 pounds-----	-----	897	-----	3,414	-----
Pork, fresh-----	1,000 pounds-----	-----	3,088	-----	3,923	-----
Hams, shoulders, and bacon-----	1,000 pounds-----	-----	2,319	-----	5,297	-----
Pork, pickled, etc-----	1,000 pounds-----	-----	1,750	-----	1,274	-----
Total pork-----	-----	⁴ 9,270,000	⁴ 7,830	.1	⁴ 13,055	.1
Dairy products and eggs:						
Butter-----	1,000 pounds-----	2,152,160	2,560	.1	22,675	1.1
Casein-----	1,000 pounds-----	30,883	15,888	51.5	3,230	10.5
Cheese-----	1,000 pounds-----	489,055	68,742	14.1	48,933	10.0
Eggs-----	1,000 dozen-----	2,751,333	⁷ 34,721	1.3	⁷ 21,771	.8
Cotton-----	1,000 bales-----	14,666	273	1.9	105	.7

¹ Includes full duty imports and imports unfit for human consumption.

² Grain plus malt converted to bushels of grain at the rate of 37.4 pounds of malt to 1 bushel of grain.

³ Estimated dressed weight of total United States beef and veal slaughter. Federally inspected slaughter was 67.7 percent of this figure.

⁴ Canned beef converted to meat equivalent at the rate of 2.5 pounds dressed meat to 1 pound canned.

⁵ Estimated dressed weight, excluding lard, of total United States hog slaughter. Federally inspected slaughter was 63 percent of this figure.

⁶ Hogs converted to meat equivalent at the rate of 100 pounds live weight to 75 pounds dressed weight.

⁷ Includes imports of frozen eggs converted at the rate of 7 pounds frozen to 6 dozen fresh and imports of dried eggs converted on the following bases: 1 pound of dried whole eggs to 3.56 pounds liquid; 1 pound dried yolk to 2.23 pounds liquid; 1 pound dried albumen to 7.3 pounds liquid; 35 pounds liquid to 30 dozen eggs in the shell.

Foreign Agricultural Service Division, Bureau of Agricultural Economics.

It will be noted, for instance, that our imports of corn in 1935, amounting to 43,242,000 bushels, represented only 1.7 percent of our average corn production during the period 1928 to 1932. Last year's imports of oats amounted to eight-tenths of 1 percent of average production, wheat 3.2 percent of our average wheat production, and barley and barley malt 4.7 percent of our barley production.

Rye is the only one of the grains the imports of which reached a substantial percentage of our average domestic production. The proportion of imports in 1935 to average production was approximately 25 percent. The reason for these relatively large imports of rye is to be found in the fact that in both 1933 and 1934 the rye crops in the United States were less than half of our average previous production. These very short crops, coming at a time when the repeal of prohibition led to some increase in consumption, made it necessary for the United States to import substantial quantities of rye in order to satisfy our domestic requirements. As previously indicated, the imports of rye have been negligible since our 1935 crop became available in July of last year. Incidentally, the production of rye in the United States in 1935 was in excess of our domestic requirements so that we now have an export surplus of this grain.

With respect to meat, the total imports of beef in 1935, most of which consisted of canned beef, represented only 3 percent of our average total production of beef and veal. The imports of pork represented only one-tenth of 1 percent of our average total production of pork excluding lard. In fact, these pork imports were only 11.3 percent of our reduced exports of cured pork in 1935.

Imports of butter in 1935 were substantially greater than the average imports in preceding years but they represented only 1.1 percent of our average production of butter in this country. Imports of cheese and casein in 1935 each represented about 10 percent of our average production. It will be noted, however, that imports of both of these items in 1935 were considerably below average.

Imports of egg products, chiefly dried eggs, in 1935 were much smaller than average, although they were larger than in immediately preceding years. The imports in 1935 represented about eight-tenths of 1 percent of the average egg production of the United States.

Imports of cotton in 1935 amounted to only seven-tenths of 1 percent of our average cotton production. The imports of cotton in that year totaled 105,000 bales compared with 5.9 million bales of cotton exported.

IV. IMPORTS IN RELATION TO THE DROUGHT AND THE A. A. A.

In the preceding pages it has been shown that there was a substantial increase in the imports of certain agricultural products in 1935, compared with the immediately preceding years, that these imports have shown a definite recession, and finally that they have, in practically all cases, represented an insignificant part of our domestic production. It is proposed in this section to consider in more detail the relationship of the drought of 1934 and also of the agricultural-adjustment programs to this increase in agricultural imports. Table 6 shows the relation between the imports of certain grains and the reduction in production caused by the drought.

TABLE 6.—*Volume of imports of certain grains and hay compared with reduction in production due to drought*

Commodity	Unit	Average production 1928-32 ¹	Production 1934 ²	Reduction in 1934			Imports ³ July 1, 1934-June 30, 1935	Imports as percentage of drought loss
				Total	Due to A. A. A.	Due to drought		
Corn.....	Thousands of bushels.	2,562,147	1,377,126	1,185,021	181,685	1,003,336	⁴ 41,141	4.1
Wheat.....	Thousands of bushels.	860,570	496,929	363,641	54,224	309,417	⁴ 14,053	4.5
Oats.....	Thousands of bushels.	1,217,646	525,889	691,757	(⁵)	691,757	⁷ 15,615	2.3
Barley.....	Thousands of bushels.	282,841	118,348	164,493	(⁵)	164,493	⁴ 18,233	11.1
Rye.....	Thousands of bushels.	38,655	16,045	22,610	(⁵)	22,610	⁷ 11,229	49.7
All grains.....	Thousands of bushels.	4,961,859	2,534,337	2,427,522	235,909	2,191,613	100,277	4.6
Hay.....	Thousands of short tons.	80,384	57,028	23,356	(⁵)	23,356	88	.4

¹ December crop report 1935, Division of Crop and Livestock Estimates.² Contracted acreage at 1934 average yield per acre seeded of wheat and average yield per acre harvested of corn, calculated by States and totaled.³ Imports for consumption.⁴ Crop year beginning Nov. 1, grain only.⁵ For domestic consumption includes only wheat full duty paid and 10 percent ad valorem, grain only.⁶ No program.⁷ Grain only.⁸ Grain and malt converted to grain on basis of 37.4 pounds of malt to 1 bushel of grain.

To understand the significance of the drought in relation to imports it is necessary to know the extent to which our production in 1934 was reduced from normal. The drought of 1934 was the most widespread and serious in the history of the United States and affected seriously the production of all of the major crops in this country except cotton and tobacco. The products principally affected were feeds and fodder. It has been estimated by the Bureau of Agricultural Economics that the drought of 1934 caused a reduction from average in our production of feed of 50 million tons. In other words, in order to have had an average supply of feed during the latter half of 1934 and up until the crops of 1935 became available, it would have been necessary to import 50 million tons. But, as a matter of fact, the United States during the full 18 months from July 1934, when the effects of the drought first became apparent, until December 1935, when the 1935 corn crop became available, imported less than 3½ million tons of all types of feeds and fodder, or only 7 percent of the shortage. In other words, the serious situation arising out of the great reduction in feed supplies was met in general not by increasing our imports but by lighter feeding, the slaughter of a considerable number of livestock, especially cattle, and earlier and heavier pasturing. In this connection, it may be noted that the production-adjustment programs were of importance in making more feed available than would otherwise have been the case since much of the land taken out of the production of cotton, corn, and wheat was used for emergency roughage and pasture crops best suited to meet drought conditions.

A similar situation exists with respect to the imports of livestock and livestock products. Beef cattle may be taken as an example. The number of beef cattle and calves in the United States in January 1934 was estimated to be 36 million head. The number in January 1935 was estimated at 32 million head. This reduction of 4 million

head may be compared with our imports of beef cattle in 1935 of only 368,000 head.

In the case of imported beef, which consists principally of canned beef, the situation is much the same. The federally inspected slaughter of cattle and calves in the United States in 1934 produced 6,727 million pounds of beef and veal, compared with 5,216 million pounds in 1935, a drop of about 1,500 million pounds. (Figures for both years include provisional estimates of beef produced from relief slaughter.) The imports of beef and veal in 1935, including canned beef on a dressed-weight basis, were just short of 200 million pounds, or 13 percent of the reduction in our federally inspected slaughter between 1934 and 1935.

These are only a few of numerous examples that might be cited of the tremendous decrease in production of agricultural products in the United States resulting from the drought and of the relatively small part that imports played in making up this loss in production. The question is frequently raised, however, as to the effect of the agricultural adjustment programs on imports. Many people, who do not realize the overshadowing importance of the drought in reducing domestic supplies of food, feed, and livestock in 1934 and 1935, seem to be under the impression that the imports have been a direct result of the agricultural adjustment programs. They are unable, as they put it, to see the justification of paying American farmers to reduce production and then permitting imports to come in to take the place of American products. The purpose of the following paragraphs is to place the agricultural adjustment programs and the increased agricultural imports in their proper perspective.

First of all, it must be admitted that the adjustment programs, by helping to raise American farm prices, were to some extent a factor in making the American market more attractive to imports. But they were only a minor factor, since the reduction in production that may be attributed to the adjustment programs is very much less than the reduction that may be attributed to the low yields resulting from the drought. Furthermore, there were no production adjustment programs with respect to certain products, such as rye, barley, oats, dairy products, beef cattle, and eggs, the imports of which showed large increases. These facts will be best brought out by an examination of individual products.

The United States production of wheat in the crop year 1934-35 was 497 million bushels, a drop of 364 million bushels from the annual average of 861 million bushels for the 5-year period 1928 to 1932. Of this reduction about 310 million bushels, or 86 percent, were chargeable to the drought and 54 million bushels, or 14 percent, to acreage reduction, in accordance with adjustment contracts under the Agricultural Adjustment Act.

Wheat imported into the United States for consumption in 1934-35 totaled 14 million bushels, or only 5 percent of the loss caused by the drought. These imports represented only 3 percent of the United States wheat production for the crop year. Furthermore, of this total importation of 14 million bushels, over 57 percent represented wheat unfit for human consumption brought into the country chiefly as feed for livestock in the drought-affected areas. In the 1935-36 crop year production of all wheat in the United States totaled 603 million bushels, or 257 million bushels less than the 5-year (1928-32)

average. The reduction in production during this crop year was also due primarily to unfavorable weather conditions and particularly to serious rust damage in the spring wheat States. Imports of wheat during the first 10 months of the crop year (July through April) amounted to 30 million bushels. During the present year considerable quantities of feed wheat have been imported but most of the imports this year have been of hard spring wheat from Canada, which was needed in this country because of the small supply and the poor quality of our 1935 spring wheat.

Production of corn in the United States in the 1934-35 crop year was 1,377 million bushels, a decrease of 1,185 million bushels from the 1928-32 average production of 2,562 million bushels. The portion of the reduction chargeable to drought was 1,003 million bushels or 85 percent, and the reduction due to acreage reduction contracts is estimated at 182 million bushels, or 15 percent of the total. Imports of corn in the marketing year, November 1934 to October 1935 amounted to 41 million bushels, or less than 3 percent of the production for the corresponding crop year, low as it was, and about 4 percent of the year's loss in production due to the drought. Corn production in the United States in 1935 totaled 2,203 million bushels, or nearly twice as much as in 1934 and only 359 million bushels less than the 5-year average. In the first 6 months of the marketing year beginning November 1, 1935, corn imports have amounted to only 8.4 million bushels with a distinct downward trend apparent.

Oats production in the United States in the crop year 1934-35 was 526 million bushels, or 692 million bushels less than the 1928-32 average production of 1,218 million bushels. This reduction was due entirely to the poor yields resulting from the drought. There was no oats adjustment program under the Agricultural Adjustment Act. Imports of oats into the United States during the marketing year July 1934 through June 1935 amounted to 16 million bushels. This figure represents 3 percent of the United States production for the crop year 1934-35 and 2 percent of the reduction from the 5-year average. In 1935 the United States produced 1,195 million bushels of oats, or only 22 million bushels less than the 1928-32 average. Imports of oats in the first 10 months of the marketing year beginning July 1, 1935, were only 74,000 bushels.

The reaction to the drought situation resulting in larger imports was slower in the case of the various livestock products than in the case of grain simply because the drought reduced the production of livestock products indirectly through the curtailment of feedstuffs.

In 1934 the federally supervised slaughter of cattle and calves, including estimates for relief slaughter, produced 6,727 million pounds of beef and veal and imports of beef in that year, principally canned beef, totaled 117 million pounds, or 1.7 percent of the inspected production. In 1935 federally inspected production was 5,216 million pounds and imports 200 million pounds, or 3.8 percent of domestic production under Federal inspection. In the case of pork, while there was a small increase in imports, the principal significance of the drought was to reduce the amount of meat available for export since we have long been on an export basis for cured pork and lard.

The effects of the drought on imports of dairy products into the United States have been even more indirect than in the case of meat products and have been combined with the operation of several factors other than the reduction of supply in the United States. The production of milk in the United States increased steadily from 1924 to 1933, in which year it reached a peak of 105 billion pounds after having averaged 103 billion pounds during the 5 years 1928 to 1932. In 1934, as a result of the drought and other factors, production receded to 102 billion pounds. Imports of butter in 1934 amounted to 1,253,000 pounds which on a milk-equivalent basis represented only 0.03 percent of our 1934 milk production. In 1935 the production of milk was at about the same level as in 1934 and the production of butter in the United States was considerably lower, especially during the first few months of the year as a result of the shortage of feed due to the drought. This reduction in butter production, plus the fact that there was at the time a very large volume of butter entering world trade and prices on world markets were very low, resulted in a substantial increase in imports of butter during the first half of 1935. The imports of butter in the entire year 1935 totaled 23 million pounds, or about 1 percent of our domestic production of butter during that year.

V. IMPORTS IN RELATION TO FARM INCOME AND FARM PRICES

Of chief importance to farmers is the question whether these imports have affected prices and income of American producers. It has sometimes been alleged that the imports are coming into the country in such volume as to depress domestic prices and result in a serious decrease in farm income. As has already been shown, the imports since 1934, while larger than in the preceding depression years, still represent, in most cases, a very small part of our domestic supply. It is for this reason that in the vast majority of cases they have had no significant effect in depressing American farm prices. The most that can be attributed to imports is that in certain cases such as, for example, butter, seasonal imports during the period when our butter supplies are shortest in the winter prevent prices of butter-fat in this country from rising as much as they otherwise would. In other words, the tariff of 14 cents a pound on butter is, under these circumstances, effective in maintaining American prices above world prices by substantially this amount. One way of considering the significance of imports to farm income is to compare the value of the imports of competitive products year by year with the gross farm income of the United States for the same years. This is done in table 7.

The income of farmers in the United States in 1935, when the competitive agricultural imports were valued at 623 million dollars, was 8,110 million dollars. The income of farmers in the United States in 1932, when competitive imports were valued at 296 million dollars, was 5,337 million dollars, the lowest in the recent history of this country.

TABLE 7.—*United States competitive agricultural imports compared with domestic farm income, 1920-35*

Year ended Dec. 31—	Value		Value index 1921-30=100	
	Gross income from farm production	Competitive agricultural imports ¹	Gross in- come from farm production	Competi- tive agri- cultural imports ¹
1920-----	\$13,566,000,000	\$2,264,000,000	124	242
1921-----	8,927,000,000	739,000,000	82	79
1922-----	9,944,000,000	865,000,000	91	92
1923-----	11,041,000,000	1,105,000,000	101	118
1924-----	11,337,000,000	991,000,000	104	106
1925-----	11,968,000,000	1,016,000,000	109	109
1926-----	11,480,000,000	971,000,000	105	104
1927-----	11,616,000,000	994,000,000	106	106
1928-----	11,741,000,000	961,000,000	107	103
1929-----	11,941,000,000	1,017,000,000	109	109
1930-----	9,454,000,000	699,000,000	86	75
1931-----	6,968,000,000	446,000,000	64	48
1932-----	5,337,000,000	296,000,000	49	32
1933-----	² 6,406,000,000	877,000,000	59	40
1934-----	² 7,266,000,000	² 450,000,000	66	48
1935-----	² 8,110,000,000	² 623,000,000	74	67

¹ Competitive agricultural imports include imports similar to agricultural products commercially produced in the United States or directly substituted to a significant extent for such products.

² Includes income from rental and benefit payments of 278 million dollars for 1933, 594 million dollars for 1934, and 480 million dollars for 1935.

³ Imports for consumption.

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The table also shows that in the years prior to the depression, when imports of competitive farm products were running at a total value in the neighborhood of 1,000 million dollars a year, the income of the farmers of the United States was much larger, running between 11,000 and 12,000 million dollars a year. In other words, the American farmer has been better off from the standpoint of total income in the years when competitive imports have been large than in the years when such imports have been small. In the more prosperous years farm prices are high enough so that imports are attracted into the American market over the prevailing tariff wall. In the years of very low farm income prices are so low in this country that the American market is not attractive to imports.

Another way of considering the significance of imports is to relate the changes in volume of imports to the prices received by American farmers. Just as in the case of gross farm income, the prices received by farmers have been higher during periods of large imports than they were when imports were small. This is brought out by the comparison of the indexes of competitive agricultural imports and domestic farm prices shown in table 8 and presented graphically in chart I. A few specific examples will make this even more clear. The average farm price of wheat in the United States in both the calendar years 1934 and 1935 was 84 cents a bushel. In those years the imports of wheat for consumption in the United States were approximately 8 million and 17 million bushels respectively. In 1933 the farm price of wheat was 67 cents a bushel and imports were 32,000 bushels. In 1932 the farm price was only 38 cents a bushel and imports amounted to the negligible figure of 3,000 bushels.

The average farm price of corn for the calendar year 1935 was 77 cents a bushel. Imports of corn in that year totaled 43 million bushels.

TABLE 8.—United States competitive agricultural imports compared with farm prices 1920-35

	Value of competitive agricultural imports ¹ (1921-30=100)	United States farm prices (1921-30=100)		Value of competitive agricultural imports ¹ (1921-30=100)	United States farm prices (1921-30=100)
1920.....	242	151	1928.....	103	106
1921.....	79	89	1929.....	109	104
1922.....	92	94	1930.....	75	90
1923.....	118	101	1931.....	48	62
1924.....	106	102	1932.....	82	46
1925.....	109	111	1933.....	40	50
1926.....	104	103	1934.....	48	64
1927.....	106	99	1935.....	67	77

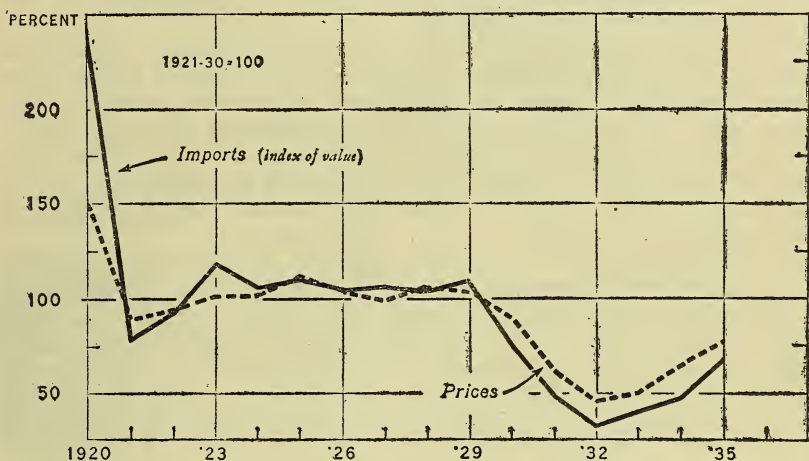
¹ Competitive agricultural imports include imports similar to agricultural products commercially produced in the United States or directly substituted to a significant extent for such products.

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The farm price of corn in 1934 was 65 cents a bushel and imports were 3 million bushels. In 1933, when the farm price of corn averaged only 38 cents per bushel, our imports of corn amounted to only 160,000 bushels.

The farm price of oats in the United States during the crop year 1934-35, when imports amounted to approximately 16 million bushels,

COMPETITIVE AGRICULTURAL IMPORTS AND FARM PRICES, 1920-35



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was 48 cents a bushel. But the average price to producers of oats thus far in the 1935-36 season, when imports have amounted to only 63,000 bushels, has been 28.5 cents a bushel.

The farm price of rye was 71.3 cents a bushel during the marketing year 1934-35, when imports amounted to 11 million bushels. The average farm price of rye thus far in 1935-36, when we have had practically no imports, has been only 38 cents a bushel.

The fundamental fact that should be borne in mind in considering imports in relation to farm income and farm prices is that prices received by American farmers for most of these drought-affected products are determined primarily by the domestic supply and demand situation and that increased imports are a *result* of relatively high prices and decreased imports are a *result* of relatively low prices.

VI. IMPORTS IN RELATION TO GENERAL ECONOMIC CONDITIONS

It has been shown in preceding sections that the principal cause of the increase in imports of certain products in 1935 was the serious shortage in production in the United States in 1934 caused by the drought. It must be recognized, however, that a more fundamental factor influencing imports from the longer time point of view is the general economic situation in the United States. It is proposed in this section, therefore, to consider briefly the relationship between imports and economic conditions in this country as reflected by industrial activity and gross farm income.

Much the greater part of the total rise in the value of competitive agricultural imports between 1932 and 1935 was due to an increase in the value of imports of the "regularly imported" products, such as sugar and wool. Such products, except in years following serious crop shortages in this country, constitute practically all of our competitive agricultural imports. It is for this reason that probably 78 percent of the total rise in value of competitive farm imports between 1932 and 1935 was due to the general improvement in domestic demand brought about by increased industrial activity and an improved agricultural situation.

The value of industrial production may be taken as a significant index of the general domestic demand situation, and it will be seen that a very close relationship exists from year to year between this factor and the value of competitive agricultural imports. Thus, in 1921, the index of industrial production and of competitive farm imports (with 1929 equalling 100) each stood at about 60, rose to 100 in 1929, fell to 36 and 25, respectively, in 1932, and rose again to approximately 60 for both in 1935. (See chart II.)

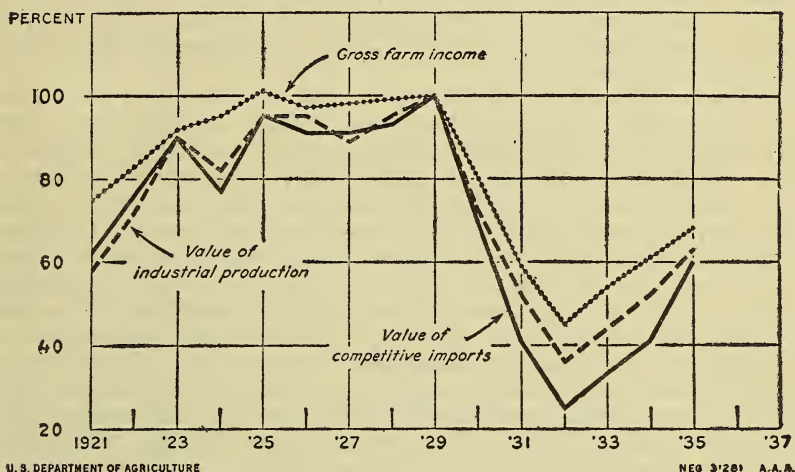
As was indicated in the previous section, a similar relationship, though slightly less close, exists between farm income and the value of competitive agricultural imports. As shown in chart II, competitive imports tend to rise and fall with gross farm income. Furthermore, the percentage of imports to gross farm income is greater when income is high than when it is low. Thus, competitive farm imports averaged about 6.5 percent of gross farm income during the period 1924-29, reached 6.8 percent for 1929, and fell to 3.8 percent for the year 1932. In 1935, the value of competitive imports had risen again to 6.0 percent of gross farm income. Had there been normal weather in 1934 and had imports in 1935 followed the curve of industrial activity in usual fashion, this percentage would probably have been about 5.2 instead of 6.0. The difference of 0.8 percent represents the probable effect of the 1934 drought.

It is clear, therefore, that while the increase of all competitive farm imports in 1935 over the low level of 1932 imports was in some part a reflection of the drought, it was in a much larger part a reflection of general agricultural and industrial recovery.

VII. IMPORTS IN RELATION TO THE TARIFF

Apparently there has been an impression in some quarters that import duties have been reduced or removed in order to stimulate increased imports. Such an impression is based on a serious misapprehension. As a matter of fact, except for certain reductions in import duties in connection with the Canadian trade agreement, which did not become effective until January 1, 1936, there have been no reductions in import duties on any of the important drought-affected commodities. It is true that in response to urgent requests from farmers in drought-stricken areas, the President, as an emergency measure, issued a proclamation removing the import duties on hay and straw brought into this country for the specific use of farmers in the drought-affected territory. These duties were restored

IMPORTS OF COMPETITIVE AGRICULTURAL PRODUCTS, VALUE OF INDUSTRIAL PRODUCTION, AND GROSS FARM INCOME, 1921-35
1929=100



on July 1, 1935. Otherwise, the duties have continued at the rates established in the Tariff Act of 1930. For example the duty on wheat is 42 cents a bushel (except that wheat unfit for human consumption is permitted entry at 10 percent ad valorem). The duty on corn is 25 cents a bushel. The duty on oats is 16 cents a bushel and the duty on rye is 15 cents a bushel. The import duty on butter is 14 cents per pound and on canned beef, 6 cents per pound.

VIII. IMPORTS IN RELATION TO THE RECIPROCAL TRADE AGREEMENTS

A further impression apparently has been current that the recent increase in imports of competitive agricultural products has been due in large part to reductions in duties made in connection with reciprocal trade agreements. As a matter of fact, reciprocal trade agreements had little, if anything, to do with the increase in imports in the calendar year 1935.

The only trade agreements that have been signed up to the present time in connection with which the United States made any significant reductions whatever in duties on agricultural products are those with Cuba, Canada, and the Netherlands. Of these three trade agreements the only one that was in effect throughout 1935 was the one with Cuba.

The trade agreement with Cuba did result in some increase in imports of agricultural products from that country. The United States reduced its duties on the two most important Cuban products, sugar and tobacco, but these products were placed on a strict quota basis so that imports could not increase beyond a certain level. (Incidentally, with the abandonment of the cigar tobacco production adjustment program, the old rates of duty on Cuban tobacco have been restored and the quota removed.) The United States also reduced its duties on certain winter vegetables, but only during a restricted period when the production of these products in the United States is very small. While there was some increase in the imports of agricultural products from Cuba in 1935, this increase was very much outweighed by the larger exports of American agricultural products to Cuba in that year.

The trade agreement with Canada has been in effect only since January 1, 1936. It is, therefore, obvious that this agreement could have had nothing to do with the increase in agricultural imports in 1935. With respect to the possible effects of the agreement in causing larger imports into the United States during 1936 and future years, it is important to note that the duty reductions made on the Canadian agricultural products which would be likely to offer the most competition, namely, cattle, cream, and seed potatoes, were on only a limited quantity. For example, the duty on beef cattle weighing 700 pounds or more was reduced on a quantity equivalent to three-fourths of 1 percent of our domestic slaughter of cattle and calves, namely 155,799 head. Incidentally, imports of cattle of this weight from Mexico or any other countries at the reduced rate have to come within the total of 155,799 head. The duty on calves weighing 175 pounds or less was reduced on a quantity equivalent to one-fourth of 1 percent of our total annual slaughter of cattle and calves, or 51,933 head. During the first 4 months of the operation of the agreement the imports of cattle weighing 700 pounds or more from both Canada and Mexico totaled 80,854 head, or 52 percent of the total customs quota. The imports of calves totaled 11,142 head, or 21 percent of the total quota.

In the case of cream the duty was reduced on a quantity of 1,500,000 gallons. During the first 4 months of the agreement, however, the actual imports of cream totaled only 3,336 gallons, which indicates that in spite of the duty reduction the American market is not attractive to shippers of Canadian cream.

Cheese and cattle are the only important agricultural items the imports of which have shown any significant increase since the signing of the Canadian trade agreement. It is true that imports of Cheddar cheese in the period January through April were considerably larger than in the same period of the immediately preceding years and somewhat larger than in the corresponding months of years prior to 1930 when the same rate of 5 cents a pound applied. But even though these imports showed some increase, they represented

only 2.7 percent of the Cheddar cheese production in the United States during the same 4 months. It should also be pointed out that cheese imports from Canada in April showed a drop of 75 percent below the March figure, and it is believed that the normal trend of cheese imports from Canada under the treaty will be materially lower than the imports of the first 3 months of 1935 seemed to indicate. Incidentally, the total imports of all kinds of cheese from all countries were only 4 percent larger in the first 4 months of 1936 than in the corresponding months of 1935.

Against this possible small disadvantage of increased cheese imports must be set the very substantial gain in the exports of a considerable number of agricultural items from the United States to Canada, which may be directly attributed to reductions in duties made by Canada in connection with the trade agreement.

For example, our milled rice exports to Canada totaled 2,910,000 pounds in the first 4 months that the trade agreement has been in effect, compared with 973,000 pounds in the same months of 1935, a gain of 200 percent. Our exports of grapefruit to Canada totaled 242,000 boxes, compared with 193,000 boxes in January through April last year, a gain of 25 percent. Exports of oranges to Canada amounted to 1,109,000 boxes during January through April of this year, compared with 768,000 boxes during the same months last year, a gain of 44 percent. There were equally substantial gains in the exports of a large number of dried and canned fruits and nuts. Our egg exports to Canada rose from the small figure of less than 11,500 dozen in January through April 1935 to 86,000 dozen in the same months of 1936. Exports of American cured pork to Canada (bacon, hams, and shoulders) totaled 151,000 pounds in the first 4 months of the year, compared with only 63,000 pounds in the same months of 1935. At the same time the exports of cured pork to the rest of the world were 41 percent smaller than last year. The 1936 exports of other pickled and salted pork to Canada also increased sharply.

Looking at the matter from the standpoint of farmers in the United States as a whole, it seems clear that the gains in our exports of farm products to Canada much more than offset any losses resulting in increased imports of Canadian agricultural products into the United States. And beyond this account must be taken of the increased purchasing power in the industrial sections of the country for such things as dairy products and beef which results directly from our larger sales of manufactured goods to Canada under the trade agreement.

The Netherlands is the only other one of the trade agreements thus far completed in connection with which significant duty reductions were made by the United States on agricultural products. In this agreement the high duty on cigar leaf tobacco was reduced from \$2.27½ per pound to \$1.50 per pound, effective June 30, 1936. There is only a very small acreage devoted to the production of cigar wrapper tobacco in the United States and the imported Sumatra tobacco is used to a large extent in connection with domestic filler and binder tobacco. There was also in the agreement with the Netherlands a number of reductions in the United States duties on such items as seeds and bulbs and on certain special types of Dutch cheese of a kind not produced commercially in the United States. The trade agreement with the Netherlands has been in effect only since February 1,

so that there is no basis for an analysis of the effect of this agreement in the direction of increasing agricultural imports into this country.

The above-mentioned reductions in United States duties on agricultural products, taken together with a reduction in the duty on Swiss cheese in the agreement with Switzerland, constitute virtually all of the changes made in United States duties on agricultural products in connection with the reciprocal trade agreements concluded up to the present time. It will be noted that there have been no reductions in the duties on any of the grains. While the duties on certain special foreign types of cheese have been reduced, the duty on butter has not been changed. Similarly, while the duties on a specified quantity of cattle of certain weights have been reduced, there has been no change in the duty on canned beef, the most important item in our meat imports.

Brief reference should be made at this point to the gains that have been made, on the other hand, by the United States in securing reductions in trade barriers facing American agricultural products in foreign countries in addition to the duty reductions made by Canada, Cuba, and the Netherlands. For example, Belgium, Sweden, and Switzerland all made concessions in the way of reducing restrictions on imports which will be of substantial benefit to future American agricultural exports. The items principally affected have been fresh fruits, especially apples and citrus fruit, tobacco, and lard. All of the European countries with which agreements have been concluded have agreed to continue to permit the entry of cotton free of duty or at a very low revenue rate.

IX. THE RELATION OF TOTAL IMPORTS TO TOTAL EXPORTS AND TO DOMESTIC PRODUCTION

Before taking up in the last section of this statement certain questions of the relationship between agricultural imports and agricultural exports, it seems desirable to consider certain broad relationships between our total import trade and our total export trade, as well as the relation between these and our total domestic production.

There is a close relationship between the value of our total imports of goods and the value of our total exports of goods. In other words, when imports rise exports also tend to rise; when imports decline exports also tend to decline. The reason for this is, of course, that the imports of goods provide the principal source of dollar exchange for foreign countries to buy our export products. It is for this reason that a policy looking toward an exclusion of imports would inevitably lead toward a serious contraction of exports.

This relationship between imports and exports may perhaps best be made clear by a few specific examples. In 1922 the value of imports was 80 percent of their value in the period 1923 to 1925; by 1929 their value was 115 percent of this average but by 1932 the value of our imports was only 34 percent of the 1923-25 average. Exports showed a similar trend, rising from 84 percent of the 1923-25 average value in 1922 to 115 percent in 1929 and falling to 34 percent in 1932.

Conditions that are favorable for larger imports are also favorable for larger exports. The principal condition is to be found in the value of our total domestic production of industrial and agricultural commodities. Prior to 1929 there was a fairly definite and stable relation-

ship between imports and exports and domestic production. In the years before the World War, for example, the value of our total imports remained quite constant at something over 7 percent of the value of our total domestic production of industrial and agricultural products. In 1929 the value of our imports was 4.9 billion dollars or 6.2 percent of the 79 billion-dollar value of our domestic production. But in 1935 our total imports were worth only 2.1 billion dollars or 3.9 percent of domestic production which was then valued at approximately 53.6 billion dollars. If in 1935 we had had total imports in relation to the value of our total domestic production similar to the relation in 1929, our imports in that year would have been larger by approximately 1 billion dollars or 50 percent than they actually were.

If conditions had been such that a billion dollars worth of additional imports could have been absorbed in 1935, the United States might also have increased its exports by roughly a similar amount. At the same time an increase in exports of a billion dollars could have created domestic employment and purchasing power to absorb the additional imports. In other words, imports and exports are interdependent. They stimulate and support each other and national welfare as a whole is improved as both of them increase.

X. AGRICULTURAL EXPORTS

The preceding sections of this statement have dealt specifically with certain aspects of the agricultural import situation. A further question arises as to whether there is any relationship between the recent rise in imports and the declining trend in our agricultural exports. There is a relationship only in one respect, namely, that the drought of 1934, by greatly reducing our feed supplies and, indirectly, supplies of livestock products, caused prices to rise and thus attract imports, while at the same time supplies of some of our export products, such as wheat and pork, were greatly reduced.

This is a temporary situation growing out of extremely abnormal weather conditions. With normal weather conditions our imports of the principal drought-affected products will largely disappear, although there is likely to be some increase in the "regularly imported" products, such as wool, resulting from an improvement in economic conditions in the United States. But, while normal weather will largely solve the question of agricultural imports, it will serve again to bring to the front the problem of agricultural export surpluses.

It is proposed, therefore, in this final section to consider, first, the relationship between our agricultural exports and our competitive agricultural imports and, secondly, to consider briefly certain fundamental questions relating to our agricultural export trade.

With respect to the first point, namely, the relationship of our exports to our imports, table 9 gives the value of agricultural exports and imports since 1920. It will be noted that although exports have shown a marked decline in value since 1930 they are still substantially higher than the value of competitive agricultural imports.

In this connection special reference is sometimes made to the foreign trade of the United States in foodstuffs. In 1935, the imports of competitive foodstuffs, excluding sugar, amounted to 293 million dollars as compared with foodstuff exports of 216 million dollars. However, the imports of competitive foodstuffs, excluding sugar, included 42 million dollars worth of imported beverages (whisky, wines,

etc.). In addition, it included a large figure for commodities imported in order to supply the domestic shortages caused by the drought. Taking only the leading items among these imports: Wheat was valued at 21 million dollars, corn at 20 millions, and feeds and fodders at 13 millions. The total for these items is 54 million dollars. If the imports of beverages and of these three leading drought-affected commodities are subtracted from the competitive foodstuffs, minus sugar, the remainder is only 197 million dollars. This compares with the 216 million-dollar figure for foodstuff exports. In this connection it must be remembered that the export figure would have been higher but for the shortage in domestic supplies of many of our major export commodities such as lard, cured pork, and wheat.

But comparisons in terms of value are not particularly significant. Perhaps a more concrete way of considering the significance of competitive agricultural imports in relation to agricultural exports is to compare the amount of acreage that might be needed for the imports of competitive products with the amount of acreage needed for the production of our exports.

TABLE 9.—*Value of foreign trade of the United States in agricultural products, 1920-35*

Year ended Dec. 31—	Exports of domestic agricultural products	Imports of competitive agricultural products ¹	Year ended Dec. 31—	Exports of domestic agricultural products	Imports of competitive agricultural products ¹
1920-----	\$3,452,000,000	\$2,264,000,000	1928-----	\$1,863,000,000	\$961,000,000
1921-----	2,115,000,000	739,000,000	1929-----	1,693,000,000	1,017,000,000
1922-----	1,884,000,000	865,000,000	1930-----	1,201,000,000	699,000,000
1923-----	1,821,000,000	1,105,000,000	1931-----	821,000,000	446,000,000
1924-----	2,110,000,000	991,000,000	1932-----	662,000,000	296,000,000
1925-----	2,136,000,000	1,016,000,000	1933-----	694,000,000	377,000,000
1926-----	1,817,000,000	971,000,000	1934-----	734,000,000	* 450,000,000
1927-----	1,885,000,000	994,000,000	1935-----	748,000,000	* 623,000,000

¹ Competitive agricultural imports include imports similar to agricultural products commercially produced in the United States or directly substituted to a significant extent for domestic agricultural products.

² Imports for consumption.

Foreign Agricultural Service Division. Compiled from Foreign Commerce and Navigation of the United States and official records of the Bureau of Foreign and Domestic Commerce.

A study of this relationship covering the period just prior to 1929 has been made in the Bureau of Agricultural Economics. This study indicates that the imports of competitive agricultural products during the period 1926 to 1928, when they were upon the whole larger in volume than they were in 1935, represented an area equivalent to a maximum of 15 million acres. The study concluded, however, that if these products had been entirely excluded, it probably would not have been possible to use more than 10 million acres for their production in this country because of the fact that they would be produced here at a considerably higher cost which would have led, in turn, to reduced consumption in the United States. On the other hand, during the same period the area used to produce our export crops amounted to between 50 and 60 million acres. Consequently, if imports had been entirely eliminated, we would still have had from 40 to 50 million acres producing for export. It should be noted that the maximum 15 million acre figure quoted above includes 3 million acres for sugar, 2 million acres for wool, and 3 million acres for flaxseed, none of which

have been produced in the United States in sufficient quantities for domestic requirements for many years. Another 2 million acres consist of jute, which is not produced at all in this country but which is substituted to some extent for cotton. If these four items were subtracted from the maximum 15 million acre figure, there would remain only about 5 million acres at the maximum displaced by imports or less than 2 percent of our total crop area.

This analysis of acreage devoted to export and import crops suggests clearly that we cannot solve the problem of exportable surpluses simply by cutting out imports and substituting home-grown products for them. Furthermore, if we did cut out the imports, there would undoubtedly be a tendency for the production of some of the imported products to expand beyond the limits of our home demand which would place such products on an export basis and, therefore, not subject to protection from high import duties or even embargoes. In other words, with normal weather conditions and the present crop acreage, the United States is bound to be faced with a serious export surplus situation.

Before considering possible means of meeting this situation, it is necessary to have in mind the underlying causes of the decline in our exports since 1930. During the period 1920 through 1930 our agricultural exports were valued consistently at over a billion dollars a year and in some years at over 2 billion dollars. Since 1930 they have run considerably under the billion dollar figure. A large part of this decline in exports was due to low prices during the depression. But this is not the entire explanation. As shown in table 10, the exports of our principal agricultural products have also declined in terms of volume. This is particularly true of wheat and pork.

TABLE 10.—United States export quantity of specified agricultural products, 1922-33, and January 1934 to April 1936

Year (ended Dec. 31) and month	Wheat, grain	Tobacco, leaf	Cotton, running bales ¹	Bacon, hams, and shoulders ²	Lard ³
	<i>Bushels</i>	<i>Pounds</i>	<i>Bales</i>	<i>Pounds</i>	<i>Pounds</i>
1922.....	164,692,000	430,908,000	6,015,000	631,452,000	766,950,000
1923.....	98,533,000	474,500,000	5,224,000	828,890,000	1,035,382,000
1924.....	166,302,000	546,555,000	6,653,000	637,980,000	944,095,000
1925.....	86,526,000	468,471,000	8,362,000	467,459,000	688,829,000
1926.....	138,275,000	478,773,000	8,916,000	351,591,000	698,961,000
1927.....	168,307,000	506,252,000	9,199,000	237,720,000	681,303,000
1928.....	96,290,000	575,498,000	8,546,000	248,278,000	759,722,000
1929.....	90,130,000	555,347,000	7,418,000	275,118,000	829,328,000
1930.....	87,774,000	560,953,000	6,474,000	216,953,000	642,486,000
1931.....	80,311,000	503,531,000	6,849,000	123,246,000	568,708,000
1932.....	54,879,000	387,766,000	8,916,000	84,175,000	546,202,000
1933.....	7,983,000	420,418,000	8,533,000	100,169,000	579,132,000
1934:					
January.....	2,867,000	25,753,000	739,000	4,965,000	51,202,000
February.....	2,667,000	27,571,000	628,000	7,013,000	36,908,000
March.....	3,065,000	43,024,000	550,000	7,207,000	39,493,000
April.....	3,576,000	39,887,000	387,000	6,280,000	39,350,000
May.....	1,457,000	30,512,000	285,000	7,702,000	66,167,000
June.....	387,000	27,799,000	459,000	8,138,000	41,008,000
July.....	826,000	17,636,000	306,000	11,572,000	33,466,000
August.....	1,776,000	23,620,000	253,000	8,769,000	29,358,000
September.....	108,000	50,630,000	454,000	4,902,000	31,506,000
October.....	57,000	61,606,000	615,000	5,335,000	26,870,000
November.....	152,000	45,294,000	572,000	7,559,000	19,739,000
December.....	32,000	25,651,000	505,000	4,283,000	16,170,000
Total.....	16,970,000	418,983,000	5,753,000	83,725,000	431,237,000

¹ Excludes linters.

² Includes Cumberland and Wiltshire sides.

³ Excludes neutral lard.

TABLE 10.—United States export quantity of specified agricultural products, 1922-33, and January, 1934 to April 1936—Continued

Year (ended Dec. 31) and month	Wheat, grain	Tobacco, leaf	Cotton, running bales	Bacon, hams, and shoulders	Lard
1935:	<i>Bushels</i>	<i>Pounds</i>	<i>Bales</i>	<i>Pounds</i>	<i>Pounds</i>
January.....	13, 000	28, 943, 000	466, 000	5, 108, 000	17, 667, 000
February.....	4, 000	23, 616, 000	390, 000	4, 158, 000	15, 890, 000
March.....	10, 000	31, 062, 000	318, 000	5, 428, 000	10, 636, 000
April.....	30, 000	16, 761, 000	823, 000	5, 332, 000	7, 193, 000
May.....	2, 000	10, 661, 000	278, 000	7, 443, 000	9, 740, 000
June.....	8, 000	11, 867, 000	345, 000	6, 662, 000	6, 877, 000
July.....	66, 000	14, 581, 000	280, 000	6, 580, 000	4, 915, 000
August.....	8, 000	22, 382, 000	241, 000	5, 210, 000	8, 406, 000
September.....	14, 000	52, 371, 000	487, 000	3, 531, 000	1, 515, 000
October.....	14, 000	60, 068, 000	712, 000	3, 355, 000	2, 731, 000
November.....	30, 000	64, 117, 000	1, 135, 000	4, 961, 000	7, 932, 000
December.....	34, 000	38, 753, 000	886, 000	3, 923, 000	7, 853, 000
Total.....	233, 000	381, 182, 000	5, 861, 000	61, 691, 000	96, 355, 000
1936: ⁴					
January.....	13, 000	40, 297, 000	543, 000	3, 395, 000	10, 117, 000
February.....	28, 000	34, 594, 000	406, 000	2, 369, 000	7, 514, 000
March.....	30, 000	29, 832, 000	405, 000	3, 017, 000	11, 461, 000
April.....	16, 000	23, 784, 000	353, 000	3, 393, 000	9, 489, 000

Year (ended Dec. 31) and month	Apples, fresh	Oranges	Dried		Pears, canned
			Prunes	Raisins	
	<i>Bushels</i>	<i>Boxes</i>	<i>Pounds</i>	<i>Pounds</i>	<i>Pounds</i>
1922.....	4, 945, 000	1, 382, 000	94, 216, 000	93, 891, 000	46, 492, 000
1923.....	8, 876, 000	2, 294, 000	59, 104, 000	77, 814, 000	40, 553, 000
1924.....	12, 361, 000	2, 564, 000	220, 912, 000	92, 140, 000	59, 123, 000
1925.....	10, 043, 000	1, 981, 000	146, 485, 000	125, 924, 000	69, 458, 000
1926.....	16, 170, 000	2, 692, 000	158, 076, 000	141, 038, 000	51, 227, 000
1927.....	15, 534, 000	3, 562, 000	229, 530, 000	177, 435, 000	61, 890, 000
1928.....	13, 635, 000	2, 678, 000	267, 707, 000	226, 490, 000	78, 266, 000
1929.....	16, 856, 000	5, 512, 000	197, 228, 000	149, 687, 000	56, 075, 000
1930.....	15, 850, 000	2, 236, 000	235, 037, 000	123, 105, 000	58, 903, 000
1931.....	17, 785, 000	4, 849, 000	257, 800, 000	135, 744, 000	85, 279, 000
1932.....	16, 919, 000	3, 129, 000	210, 204, 000	115, 454, 000	72, 357, 000
1933.....	11, 029, 000	3, 399, 000	193, 089, 000	91, 214, 000	70, 749, 000
1934:					
January.....	2, 556, 000	149, 000	16, 915, 000	5, 662, 000	6, 205, 000
February.....	2, 166, 000	192, 000	16, 167, 000	5, 064, 000	4, 356, 000
March.....	1, 029, 000	281, 000	14, 461, 000	4, 003, 000	6, 051, 000
April.....	387, 000	408, 000	12, 515, 000	6, 223, 000	3, 700, 000
May.....	35, 000	477, 000	7, 161, 000	3, 353, 000	1, 467, 000
June.....	9, 000	435, 000	12, 308, 000	4, 252, 000	1, 026, 000
July.....	127, 000	347, 000	4, 450, 000	9, 252, 000	1, 232, 000
August.....	202, 000	302, 000	7, 002, 000	6, 432, 000	16, 513, 000
September.....	543, 000	190, 000	18, 114, 000	20, 296, 000	7, 747, 000
October.....	1, 084, 000	129, 000	36, 174, 000	16, 522, 000	5, 556, 000
November.....	934, 000	155, 000	12, 867, 000	6, 623, 000	4, 561, 000
December.....	998, 000	242, 000	13, 117, 000	4, 566, 000	5, 296, 000
Total.....	10, 070, 000	3, 318, 000	171, 251, 000	92, 248, 000	63, 710, 000
1935:					
January.....	1, 281, 000	189, 000	9, 823, 000	4, 464, 000	4, 822, 000
February.....	1, 490, 000	210, 000	11, 084, 000	6, 768, 000	10, 458, 000
March.....	945, 000	350, 000	11, 471, 000	5, 481, 000	5, 265, 000
April.....	397, 000	442, 000	8, 612, 000	4, 038, 000	2, 033, 000
May.....	44, 000	779, 000	9, 093, 000	3, 993, 000	2, 801, 000
June.....	17, 000	767, 000	10, 907, 000	5, 454, 000	5, 095, 000
July.....	99, 000	1, 094, 000	8, 318, 000	5, 417, 000	1, 506, 000
August.....	544, 000	483, 000	8, 286, 000	5, 686, 000	404, 000
September.....	1, 349, 000	432, 000	9, 616, 000	9, 613, 000	11, 965, 000
October.....	2, 190, 000	282, 000	20, 473, 000	19, 196, 000	18, 823, 000
November.....	1, 854, 000	173, 000	64, 524, 000	28, 857, 000	9, 265, 000
December.....	1, 496, 000	262, 000	25, 519, 000	10, 653, 000	15, 991, 000
Total.....	11, 706, 000	5, 463, 000	197, 729, 000	109, 620, 000	88, 428, 000
1936: ⁴					
January.....	1, 248, 000	244, 000	16, 490, 000	5, 414, 000	5, 352, 000
February.....	1, 206, 000	213, 000	17, 581, 000	7, 088, 000	6, 847, 000
March.....	1, 082, 000	474, 000	18, 595, 000	5, 096, 000	5, 194, 000
April.....	750, 000	678, 000	9, 611, 000	3, 953, 000	2, 400, 000

⁴ Preliminary.

Foreign Agricultural Service Division. Compiled from Foreign Commerce and Navigation of the United States and official records of the Bureau of Foreign and Domestic Commerce.

What were the main reasons for the relatively heavy exports during the decade of the 1920's? Among the factors that may be mentioned were the reduced agricultural production in Europe following the disruption caused by the war and, during the last half of the period particularly, the continued large exports of certain products, such as cotton and tobacco, because of relatively favorable economic conditions in Europe. But this large potential European demand for our agricultural products was translated into an effective demand largely by reason of the fact that during practically the entire period the United States was lending large sums of money to Europe. These loans were not directly related to our agricultural export trade but they did have the effect of increasing European purchasing power for our agricultural products. They did this by making more dollar exchange available to Europeans which, in turn, was used in part to purchase agricultural products from the United States.

What are the reasons for the relatively low exports of agricultural products since 1930? In the first place, economic conditions in Europe have been extremely unfavorable. In the second place, we stopped lending money to Europe. In the third place, European production, which by 1930 had been restored to its prewar level, was, with the aid of greatly increased barriers to imports, pushed beyond this level by the rather general desire for agricultural self-sufficiency. In the fourth place, production in other surplus producing regions supplying the European market was continued at a high level. Finally, the supply of American agricultural products available for export was greatly reduced by freakish weather in practically every year since 1930 and particularly since 1933. On top of this Government loan policies, starting with the operations of the Farm Board and extending through the commodity loans of more recent years, tended to maintain the prices of certain of our products, notably wheat, above a competitive basis on the world market.

What are the prospects of these conditions, which have been mainly responsible for the decline in our exports since 1930, being removed in the years immediately ahead? In other words, what are the prospects of our exports returning to a level comparable to that of 1930?

So far as the supply situation is concerned, it is probably reasonable to expect more normal weather conditions in the years immediately ahead than have prevailed since 1930. In other words, we will have larger amounts available for export. Will we be able to export them at reasonable prices? In general, with a continuation of world economic recovery, there should be some improvement in European purchasing power, as compared with the situation during the years of the depression. Such improvement, if it occurs, should be reflected in a larger and more profitable market than prevailed during the depression years for such products as cotton, tobacco, lard, and fruit.

On the other hand, it seems clear that governmental policies in the importing countries are likely to be directed toward the maintenance of production of some products at a level higher than prevailed during the period 1920 through 1930. Trade barriers to imports will tend to be substantially higher than they were in the earlier period, although with better economic conditions generally there probably would be some reduction from the depression levels. Governmental policies in other surplus producing countries will be di-

rected toward the maintenance of exports of agricultural products upon which the economic life of most of these countries depends.

It may therefore be concluded that our agricultural exports will recover to some extent from the depression level with a return of better economic conditions; but they probably will not return to their predepression level unless some action to stimulate exports is taken by the United States Government. What action could the United States take? There would appear to be broadly two lines of approach. One would be a policy of export subsidy designed to place the prices of American export supplies on a competitive world basis. The other would be a policy leading toward a reduction in foreign trade barriers and at the same time an increase in our imports in order to provide foreign purchasing power for our export supplies.

The first of these policies, namely export subsidies, might conceivably be successful with respect to certain selected products over a short period of time. But in the absence of definite production control in this country such a policy would, without doubt, tend toward a further expansion in our production which, in turn, would lead toward larger and larger subsidies. Moreover, foreign countries would not welcome a flood of subsidized products and, in some cases, would doubtless take retaliatory action against such imports. In other words, such a policy might lead toward higher rather than toward lower trade barriers abroad. But even if foreign conditions did not defeat a program of export subsidies, it should be recognized that such a program would, in effect, be giving away to foreign nations a large share of our wealth and soil fertility in much the same way that we gave away our products and our soil fertility during the 1920's by lending to foreign countries money which they could not repay.

The second course of action contemplates an improvement in our agricultural export situation through a procedure involving the reduction of trade barriers both in this country and abroad. As a creditor country, in order to have large exports, the United States must necessarily have large imports of goods and services. Basically, if our export trade is to be restored on a sound basis, we must be prepared to accept more goods and services from abroad. There is no other really sound approach. One of the major factors restricting our imports is, of course, our high tariff policy. There will, of course, be some increase in imports with the return of more favorable economic conditions in the United States but this increase is not likely to be sufficient to restore our export trade to predepression levels unless there is some reduction in our import duties. The reduction of such duties must, therefore, be made a primary objective of this approach.

But even if the United States did reduce its tariff rates in order to permit somewhat larger imports, the foreign purchasing power that would thus be made available in foreign countries would not be effective in expanding their purchases from us unless their own barriers to imports were reduced. It is reasonable to suppose that foreign countries would be more willing to make such reductions in their import barriers if at the same time they could secure reductions in barriers faced by their products in the United States. The only way by means of which foreign trade barriers can be reduced at the same time that our barriers to imports are lowered is through some form of reciprocal agreements with foreign countries.

A considerable step in the direction of reciprocal trade agreements has already been made. Agreements have been concluded with 14 foreign countries. These countries together have in the past afforded markets for about 25 percent of the total agricultural exports of the United States. All of them have made concessions of one kind or another in the direction of reducing barriers to the imports of American farm products. In an earlier section of this statement it was shown that the concessions that the United States has made in the way of reducing duties on agricultural products have been relatively limited and, in the more important cases, safeguarded by limiting the quantity of imports on which the duty reductions apply.

On the other hand, the United States has secured numerous concessions from foreign countries on agricultural exports. Since most of the trade agreements have been in effect only a short time, it is not as yet possible to give a comprehensive picture of the results of the program from the standpoint of our agricultural exports. Nevertheless, the figures that are already available show an encouraging trend. For example, the total agricultural exports of the United States in the first 3 months of 1936 showed an increase over the first 3 months of 1935 of approximately 10 million dollars. Much of this increase is accounted for by larger shipments to the countries with which trade agreements were in effect, namely Cuba, Belgium, Haiti, Sweden, Brazil, Canada, and the Netherlands. To put it another way, agricultural exports to these seven countries increased 15 percent during the first 3 months of the year, while our exports to all other countries combined increased only 5 percent.

Cuba is the only country with which an agreement has been in effect as long as a year. Our agricultural exports to Cuba during the calendar year 1935 were valued at 15 million dollars or 50 percent more than our exports to Cuba in 1934 and 120 percent larger than in 1933. Incidentally, our agricultural exports to all countries other than Cuba were only 1 percent larger in 1935 than in 1934.

Our agricultural exports to Canada during the first 3 months the trade agreement with that country was in effect, that is, January through March 1936, were 15 percent larger than in the corresponding months of 1935. Exports of the particular agricultural products upon which Canada reduced its import duties as a result of the trade agreement increased 25 percent, compared with the first 3 months of 1935.

In short, while the United States has made certain limited concessions with respect to imported agricultural products, it has obtained relatively a great many more concessions from foreign countries on our own farm products exported abroad. It is impossible to conclude such trade agreements without making some concessions of a carefully guarded nature on specialized agricultural products from foreign countries but the major concessions that have been made by the United States up to the present time have been on nonagricultural products or on agricultural products which are not competitive with American farm products. With its major branches on an export basis American agriculture has little to lose and much to gain from a successful trade agreements program.

